



Financial  
**Ombudsman**  
Service

# MALG National Members' Meeting & AGM

Richard Thompson, Principal Ombudsman and Quality Director  
4 July 2019

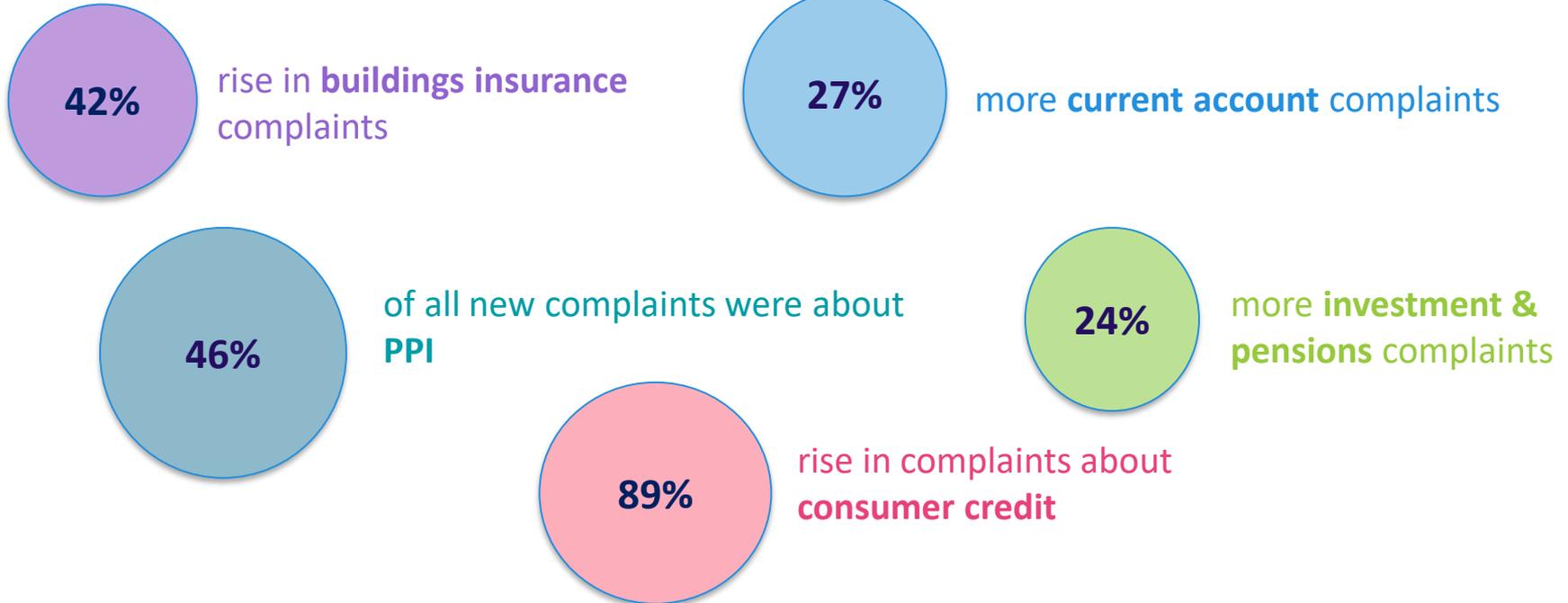
# what we'll cover

- what we're seeing in our casework
- broad themes and lessons
- case studies
- questions & discussion



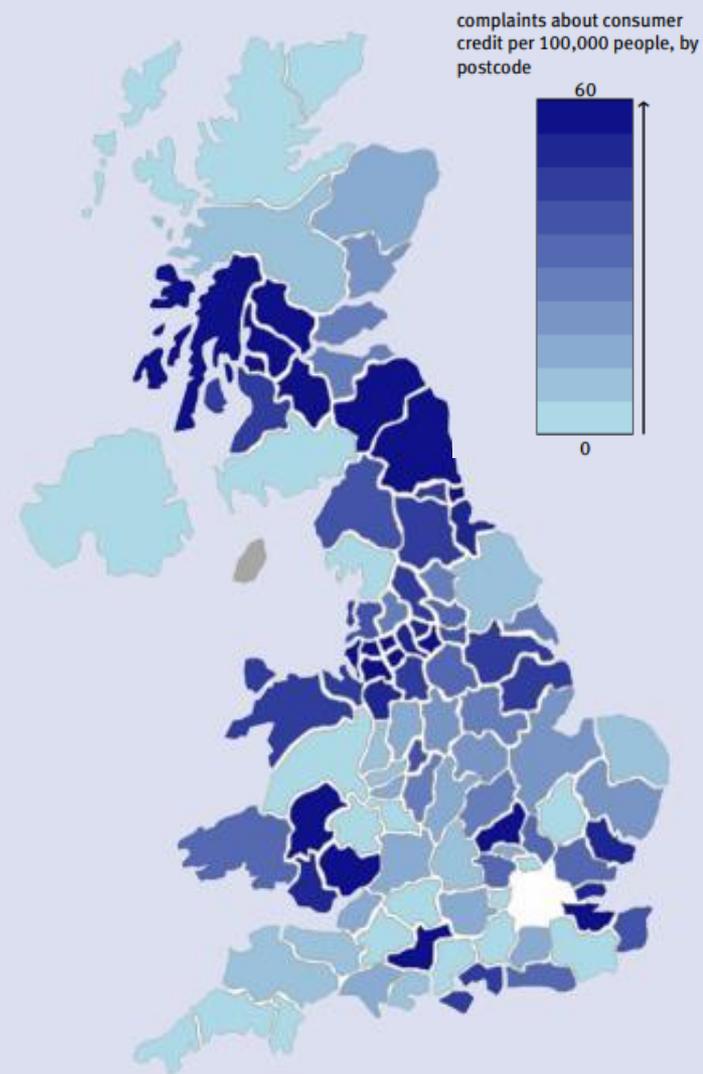
# our annual review

new complaints for 2018/2019 → **388,392**

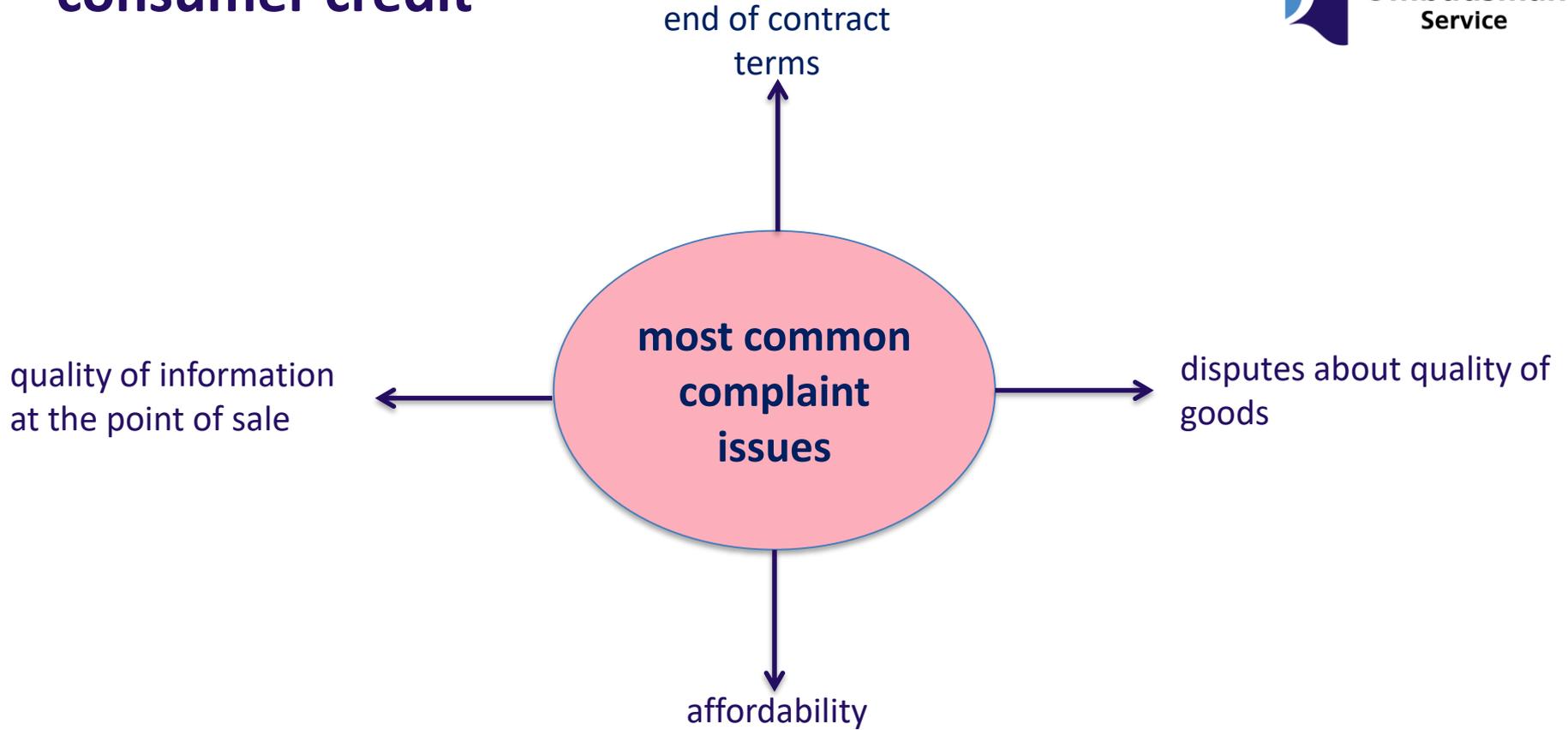


# consumer credit – what we see

product	2017/18	2018/19	year-on-year change
payday loans	17,256	39,715	130% ↑
hire purchase	5,805	8,943	54% ↑
instalment loans	1,122	5,162	360% ↑
hiring, leasing & renting	1,587	2,246	42% ↑
home credit	808	1,486	84% ↑
guarantor loans	210	529	152% ↑



# consumer credit



# affordability – some considerations

- were reasonable and proportionate checks made?
- if not, would proportionate checks most likely have shown that the lending was affordable/responsible?
- what was the overall pattern of lending?
- when did credit become unaffordable?

# affordability - case study

- Claire bought a second-hand car for £14,000, and agreed to monthly payments of £400 over three years
- soon after the agreement started, Claire found herself struggling with the repayments, so she contacted the finance company, returned the car and voluntarily terminated the finance agreement
- however, the finance company told Claire she still had an outstanding balance of £7,000 to pay
- Claire then complained to the finance company that it had lent to her unaffordable.
- the finance company disagreed, saying Claire passed its checks and had declared a monthly income of £1,600



What do you think?



# affordability - case study - outcome

- case **upheld**: we told the finance company to cancel the agreement so that Claire had nothing more to pay. We also said the agreement should be removed from her credit file
- Claire had disclosed her correct income, but there was no consideration of her existing monthly expenditure. She had been living at home with her parents, but several months before taking out the finance she had moved into a rental flat
- we found other details that suggested that she wouldn't have been able to afford the repayments: she was severely overdrawn on one of her bank accounts, and in arrears on many other credit agreements, where the repayments were as small as £20 a month
- we felt that the checks the finance company did when considering Claire's application **weren't reasonable or proportionate**, and had it made the appropriate level of checks it should have been clear that Claire wasn't able to afford the repayments

# affordability - discuss

**What are the biggest challenges  
businesses face when  
considering affordability?**

**And how can firms work through  
this to ensure they treat their  
customers fairly?**

# debt collection

Issue 147 February 2019 1

## ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them



### dealing with debt



This time of year can be bleak. With turkey and twinkling lights a distant memory, it's back to reality. Many people will also be facing debt, exacerbated by the cost of Christmas, higher heating bills, and other expenses that peak in winter.

**Caroline Wayman**  
chief ombudsman

In 2018, Citizens Advice said people are struggling more with bills such as council tax and energy than with debt relating to financial services. This household debt sits outside the FCA's remit – and ours as the ombudsman. But the two are linked, because in some cases they're one of the reasons people take out loans, credit cards and other regulated debts. And these are things we can help with.

So what are we seeing, and how can we help? We've highlighted in this ombudsman news how businesses' lack of empathy or flexibility can create additional problems for people who are struggling, and potentially in vulnerable circumstances. We'll use our powers to ensure this doesn't continue – and in some cases, tell businesses to pay compensation for the upset they've caused. The case studies we've chosen are aimed at helping businesses do things better.

But we're also reassured by good practice we see. These positive signs are backed up in our own recent research: in complaints we reviewed in-depth, we saw a majority of debt collectors following codes of conduct, limiting the impact of unavoidably stressful situations.

**In this Issue**

debt collection: different sides of the story page 3	third quarter statistics page 7	case studies: debt collection page 11	Q&A: complaints about claims management companies page 23
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financial-ombudsman.org.uk

- in 2017/18 we had 998 new complaints in debt collection
- this rose slightly (5%) to 1,054 in 2018/19
- our 2018/19 uphold rate was 33%

# ombudsman news – dealing with debt

## February 2019



### what's in our remit?

we can look into complaints about collection activity for **credit and consumer agreements** – such as mortgages, credit cards overdrafts and personal or business loans

### what sits outside our remit?

although debt collectors deal with **unregulated debts** as well, we can't look at complaints about debts relating to household utilities, council tax, or fines

# debt collection – what people asked us to look into

top **three** issues in complaints resolved between  
1 January and 31 December 2018

**21%** whether they  
were being asked for  
the right amount of  
money

**13%** customer service  
issues, including  
administration errors,  
being contacted  
excessively or about  
debt they believed  
they'd repaid

**13%** that the debt  
they were being  
chased for wasn't  
theirs

# debt collection – case study

- Jen received a letter from debt collectors seeking further payment – despite previously being told it had accepted her payment of £1,000 as partial settlement of a debt she owed
- the debt collectors said it had already told Jen she had to repay £2,000, in three instalments
- it accepted it made an error when it wrote to Jen on receipt of the first payment, telling her it was accepted as partial settlement
- it paid her £100 for any trouble and upset caused by the mistake however it wasn't willing to waive the remaining payments needed to settle the debt
- Jen didn't think this was fair and didn't think she should have to pay the remaining debt



# debt collection – case study – outcome

- case not upheld
- Jen had been aware of what she had to pay and when it had to be paid
- so we were satisfied she knew £1,000 was not enough to settle her debt
- we didn't ask the debt collectors to write off the remaining debt, and we thought the trouble and upset award was fair in the circumstances

# closing thoughts

Being alive to  
customers'  
changing  
needs

Acting quickly and  
pragmatically  
when things go  
wrong

Working together

questions

